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SUBJECT: MAINE LNG ISSUES - NEW BRUNSWICK COMMITTED TO STOPPING LNG
TANKERS IN PASSAMAQUODDY BAY

REF: 05 HALIFAX 0277

1. (SBU) SUMMARY: The new Liberal government in New Brunswick is continuing the fight to stop liquified natural gas (LNG) tankers from transiting through Passamaquoddy Bay, which lies between Maine and New Brunswick. New Consul General (CG) was briefed by a senior member of the New Brunswick civil service who will be explaining the province's position in a meeting with US Federal Regulatory Commission (FERC) officials later this month. CG underscored the US position that freedom of navigation prevails in Passamaquoddy Bay and that we do not accept Canada's claim that the Bay constitutes internal waters.
END SUMMARY

2. (SBU) On October 25, CG met with high-level officials of the New Brunswick government including the province's Deputy Minister of Intergovernmental Affairs, Jim McKay, a long-time post contact. McKay and his colleagues were quick to emphasize the existing warm and close relationship between New Brunswick and the United States, and in particular with the neighboring state of Maine. McKay saw the same history of close ties continuing into the administration of new Liberal premier Shawn Graham who narrowly toppled the incumbent Tory government of Bernard Lord in a September 18 provincial election (Halifax 0179).

3. (SBU) While underscoring the close relationship, McKay also highlighted a major issue for the province - the planned construction of two LNG terminals on the Maine side of Passamaquoddy Bay. The bay, located in southern New Brunswick, is shared by both the United States and Canada. As with the previous Tory government of Bernard Lord, the province strongly opposes the building of these plants. McKay was adamant that the large LNG tankers which would serve the plants pose an environmental, economic, social and safety threat to Passamaquoddy Bay and those communities that depend on the bay such as the resort town of St. Andrews.

4. (SBU) The Graham government is particularly concerned about tankers transiting Head Harbor Passage, a narrow stretch of the Bay near Campobello Island (where President Franklin Roosevelt had a summer home and which is now an international park). McKay espoused the province's position that no LNG tankers be allowed to transit through the passage, a position staunchly championed by the New Brunswick representative in Prime Minister Harper's cabinet, MP Greg Thompson. McKay also expressed the province's fear that the projects' proponents will eventually turn the projects over to other companies to actually develop and operate the plants. This scenario is of deep concern since, in McKay's view, there would be no guarantee that the new parties would be bound by any commitments made by the original proponents.

5. (SBU) In response to McKay's assertions, CG reiterated the USG position, stressing that the two projects have yet to pass

through all the regulatory processes on both sides of the border. He also explained that the U.S. processes are open to Canadian participation. Further, the CG reminded McKay that ships have the right to "innocent passage" through waterways such as Head Harbor Passage.

¶6. (SBU) McKay acknowledged the CG's points and in reference to the open regulatory process asked for our help in obtaining an update on the status of the Coast Guard's Waterway Suitability and Safety Assessments. McKay also mentioned that he was intending to meet with the FERC in Washington. The meeting is scheduled for November 14.

¶7. (SBU) COMMENT: McKay brought up no new items on the LNG issue, other than letting us know that, despite the change in administrations, there would be no change in the province's objection to the LNG projects. As further background to his upcoming FERC meeting, McKay is known to our post as a dedicated, articulate, forthright but always cordial senior bureaucrat. Highly respected by both his former and new political masters he occupies one of the most senior positions within the government. He and his staff will continue to be our main link with the New Brunswick government on all bilateral issues. In keeping with this reputation, we envisage McKay being an ardent champion for his province during the FERC meeting, but with his usual amiable, respectful manner. END COMMENT

FOSTER